



DEFENSE LOGISTICS AGENCY
DEFENSE CONTRACT MANAGEMENT COMMAND
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IN REPLY
REFER TO

AQOG

SEP 23 1997

**MEMORANDUM FOR COMMANDERS, DEFENSE CONTRACT MANAGEMENT
DISTRICTS**

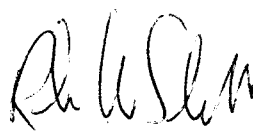
**SUBJECT: DCMC Memorandum No. 97- 055, DCAA Operations Audits
(INFORMATION)**

This is an INFORMATION memorandum, to highlight the fact that the Defense Contract Audit Agency (DCAA) conducts "Operations Audits," explain the purpose of those audits, and encourage DCMC personnel to team with DCAA personnel. This memorandum also reminds DCMC personnel to avoid redundant audits.

Like DCMC, the DCAA is working hard to help DoD avoid unnecessary acquisition costs. One tool that DCAA uses is the Operations Audit. These audits are usually targeted at contractor operations representing high-dollar DoD acquisition outlays, where there is an expectation that significant cost reduction recommendations can be developed. The audits are focused in one or more of the following six areas: direct labor utilization, indirect labor utilization, facilities utilization, equipment utilization, electronic data processing utilization, and employee fringe benefits. Where excess capacities or costs are found, DCAA provides specific recommendations designed to help contractors reduce their costs. When contractors eliminate unnecessary costs, DoD benefits in terms of lower unit prices on current and/or future contracts.

Discussions with DCAA personnel indicate that Operations Audits are often coordinated or conducted jointly with DCMC CAOs. I want to encourage DCMC personnel to team with DCAA, especially where audits are focusing on areas of common DCAA-DCMC interests. Where it is practical and useful, we should also be sharing our data with DCAA. Likewise, we should be relying on DCAA generated data where it provides relevant evidence of contractor performance. By working in close cooperation with DCAA we can help avoid situations where multiple DoD activities are conducting redundant audits/evaluations.

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